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**RE: INFORMATION ON W-2 ALLOCATIONS FOR BALANCE OF 02-03
AND 04-05, INCLUDING TRANSITIONAL JOBS AND RELATED
UPCOMING CONTRACT ISSUES**

Dear

I appreciate all the important work you and your colleagues do everyday to help Wisconsin deliver W-2 services throughout all parts of this state. You are our valued partners in helping to move Wisconsin's low-income families into lives of employment, economic self-sufficiency and hope. I know you have chosen this work because you care deeply about people and want to make a difference.

I realize that this is a challenging time in which to deliver W-2 services. For the last two years, our national and state economies have been hard-hit. All over the country we've seen a loss of manufacturing jobs, with many American workers being laid off and losing hope. This has hit Wisconsin, one of the country's top manufacturing states, disproportionately hard. Our \$3.2 billion state deficit was staggering as was our \$94 million TANF structural deficit. Unemployment, W-2 caseloads and human services needs are up, just at a time when our tax base and resources are down. Many of the people now on W-2 are those hardest to serve, many facing complex challenges.

I write now because I know that as we look ahead, you and your colleagues and local partners may have questions about future resources and how you will meet the needs of the people you serve. This situation, unfortunately, may have been complicated by some inaccurate information that has been circulating. So I did want to take this opportunity to accurately address some questions you may have and to share new information about planned W-2 implementation steps ahead. In spite of the challenges before us, I do hope that you find the following points helpful and reassuring.

INFORMATION ON 02-03 W-2 REALLOCATIONS

- DWD is committed to having W-2 serve all eligible people in need throughout ALL of Wisconsin;
- As you know, given the deficits that Wisconsin was facing, all state agencies had tough decisions and hard cuts to make in all parts of state government, including W-2;

- **The Legislature cut even more funding out of W-2 than the Governor did in the state budget, Wisconsin Act 33, requiring DWD to cut an additional \$2.6 million out of W-2;**
- **As DWD considered how to make these cuts, we sought input from W-2 agencies through the W-2 Contracts and Implementation Committee and, seeking consensus, conducted long conference calls on August 2, 2003 and August 22, 2003 with all interested W-2 representatives;**
- **Given the differing points of view, we found that the W-2 agencies did not reach consensus on your recommendations to the department regarding which model to use for making the cuts;**
- **Dedicated to being fair and seeking the best results for the greatest number of W-2 participants, DWD used the expenditure projections model developed by the non-partisan Legislative Fiscal Bureau as we faced cut decisions;**
- **Using this formula, many counties were helped, including those large and small as well as those rural and urban;**
- **Based on these projections, we anticipate an overall 02-03 W-2 state surplus of \$900,000 which should leave sufficient funding to meet statewide agency and W-2 participant needs for the rest of the calendar year;**
- **We recognize that some agencies may have higher caseloads than projected and that other agencies may have lower caseloads than projected and we will reallocate all surplus funds to where they are needed.**

02-03 W-2 REALLOCATIONS REGARDING RELATIVE CASELOAD NEEDS OF MILWAUKEE AND BALANCE OF STATE

- **Historically, of 11,188 paid participants on W-2, 8,715, or 78%, have resided in Milwaukee County, yet, only 65% of the state's W-2 dollars have gone to Milwaukee County;**
- **Given this ratio and with the unemployment rate of the City of Milwaukee now at 10.2%, compared to 5.9% statewide, DWD believed that the Legislative Fiscal Bureau's expenditure projections model reflected a balanced distribution of W-2 funding;**
- **DWD's reallocation decisions still direct 30% of the W-2 funding to non-Milwaukee counties, even though these counties make up approximately 22% of the caseload – non-Milwaukee counties, therefore, to assist with the higher relative costs of running smaller operations, will still get a larger share of state W-2 dollars, despite a lower proportion of the caseload.**

INFORMATION ON 04-05 CONTRACTS, TRANSITIONAL JOBS AND ALLOCATIONS

- As you know, as we first planned for the implementation of transitional jobs in Governor Doyle's budget, we set aside \$32.2 million for wages and mentoring costs to be paid to some W-2 participants statewide who would be hired into transitional jobs over the biennium and we also set aside \$2 million to be used for the intermediaries who would assist with the hiring of these individuals (as recommended by the Transitional Jobs Task Force);
- The Governor is committed to transitional jobs because, according to the research, transitional jobs can: assist W-2 participants gain real work experience; improve the economic well-being and school performance of children; and help employers address workforce shortages while also growing Wisconsin's economy;
- The bi-partisan, state, national, research and foundation interest we have received for our work on transitional jobs has been most heartening – from the Joyce Foundation and the Urban Institute to the Center for Law and Social Policy (CLASP) and MDRC;
- I am quite pleased to let you know that **because of our commitment to transitional jobs, we were just invited by MDRC**, the highly regarded non-profit national public policy research organization, **to participate as one of six funded national demonstration sites in their new multi-million dollar federal grant** (from the Department of Health of Human Services and the Department of Labor) which will evaluate best interventions for moving hard-to-employ low-income people to lives of self-sufficiency;
- With this new outside funding to help us evaluate how to best implement transitional jobs statewide, **we have decided that in this biennium we will begin a Phase I Transitional Jobs Demonstration Project, in collaboration with MDRC;**
- In this first phase, we will initiate and evaluate transitional jobs in two counties, one large and one small, Milwaukee County and Fond du Lac County;
- I am particularly pleased that Senator Carol Roessler, who represents Fond du Lac, and her county's W-2 director, Ed Schilling of the Fond du Lac County Department of Social Services, have pledged such strong support for working with DWD and the private employers in their area to help us go forward with this Phase I demonstration effort;
- I am also thankful that legislators of both parties and both houses, including Senators Carol Roessler and Gwendolynne Moore and Representative Josh Zepnick, along with private employers, labor and others, have agreed to serve on **a new ad hoc Transitional Jobs Employer Recruitment Committee to assist DWD in lining up employers who we plan to have hire the first transitional jobs** participants in our demonstration counties by April, 2004;

- Given this Phase I plan, you will be interested to know that **over the biennium we will now have an estimated \$13.2 million previously reserved for transitional jobs dollars available to direct back to all W-2 agencies for participant benefits;**
- Regarding the timing of contracting with agencies for 04-05 W-2 contracts, DWD is now in the process of reviewing all agency program plans, transition plans and final appeal requests;
- We hope to finish these reviews and issue contracts by mid-October.

I hope that you find this information helpful and that you will feel free to contact me with any questions. A follow-up administrator's memo will be coming to you shortly from Division of Workforce Solutions Administrator Bettie Rodgers with additional information.

Again, I thank you for your dedicated work and I look forward to our collaborations ahead.

Best regards,


Roberta Gassman
Secretary